

## Program A: Financial Assistance

Program Authorization: R.S. 51:2301 et seq.; R.S. 36:109(N); Act 279 of 1995; Act 17 of 1996

### PROGRAM DESCRIPTION

The mission of the Financial Assistance Program is to serve as a catalyst for capital to all Louisiana existing and emerging businesses, enabling new business to form and to provide for sustained economic growth of our state, thus providing an improved quality of life for it's citizens.

The goals of the Financial Assistance Program are:

1. Provide a reliable system of communications, efficient information systems, and well-trained human resources to administer LEDC's programs.
2. Provide access to capital for Louisiana emerging and existing businesses, enabling new enterprises.
3. Utilize portfolio management to direct the resources of LEDC to help promote a growing and diverse economy in the state.

### OBJECTIVES AND PERFORMANCE INDICATORS

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2001-2002. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

GENERAL PERFORMANCE INFORMATION: LEDC FIVE YEAR INVESTMENT TOTALS					
PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99	PRIOR YEAR ACTUAL FY 1999-00
Small Business Loan Program	\$3,520,606	\$4,454,498	\$879,608	\$4,912,575	\$6,752,395
Venture Capital Program	\$0	\$372,434	\$6,250,000	\$ 670,578	\$2,500,000
BIDCO Investment Program	\$0	\$1,350,000	\$3,425,000	\$0	\$0
Small Business Innovative Research Grant Program	\$0	\$0	\$0	\$0	\$0
Micro Loan Program	\$0	\$26,750	\$52,000	\$50,294	\$0
Totals	\$3,520,606	\$6,203,682	\$18,523,608	\$5,633,447	\$9,252,395

**GENERAL PERFORMANCE INFORMATION: NUMBER OF APPROVED PROJECTS**

PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99	PRIOR YEAR ACTUAL FY 1999-00
Small Business Loan Program	17	20	40	24	28
Venture Capital Program	0	2	4	5	1
BIDCC Investment Program	0	1	3	0	0
Small Business Innovative Research Grant Program	0	0	0	0	0
Micro Loan Program	0	1	2	5	0
Linked Deposit	92	70	70	91	90
Total	109	94	119	133	119
Total Operating Cost	\$522,612	\$589,251	\$617,509	\$696,778	\$751,564
Total Approved Application	\$4,795	\$6,268	\$5,189	\$5,258	6,315

**GENERAL PERFORMANCE INFORMATION: COLLECTION RATES BY LOAN TYPE AS A  
PERCENTAGE OF TOTAL DOLLARS: LOANS WITHIN 90 DAYS**

PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99	PRIOR YEAR ACTUAL FY 1999-00
Guaranty	96.9%	99.4%	98.5%	97.6%	92.60%
Participation	100%	100%	99.0%	100.0%	100.0%
Direct	100%	91.8%	88.7%	90.7%	100.0%

- 1.(KEY) To allocate budgeted funds across Louisiana Economic Development Corporation (LEDC) financial assistance programs to achieve the best portfolio management and maximize earnings.

Strategic Link: This operational objective supports LEDC Strategic Plan Goal 3: *To utilize portfolio management to direct the resources of LEDC to help promote the growing and diverse economy in the state.*

Louisiana: Vision 2020 Link: Supports Goal 2, Objective 2.8: *To increase the availability of seed and venture capital invested in Louisiana.*

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable

Explanatory Note: A supplementary recommendation of \$2,650,000 in Statutory Dedications support is included in the Total Recommendation for this program. This Statutory Dedication represents \$2,650,000 in Louisiana Economic Development Funds. This item is contingent upon renewal of the .4% Vendor's Compensation Sales Tax (R.S. 47:306 and 47:318) that currently goes to the Department of Economic Development.

L E V E L	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1999-2000	ACTUAL YEAREND PERFORMANCE FY 1999-2000	ACT 11 PERFORMANCE STANDARD FY 2000-2001	EXISTING PERFORMANCE STANDARD FY 2000-2001	AT CONTINUATION BUDGET LEVEL FY 2001-2002	AT RECOMMENDED BUDGET LEVEL FY 2001-2002
K	Percentage of new approved long term investments and loan participations that are 7 years or greater	Not applicable <sup>1</sup>	0%	10%	10%	10%	10%
K	Percentage of new approved medium term investments and loan guarantees that are 3 plus years to 7 years	Not applicable <sup>1</sup>	43%	60%	60%	60%	60%
K	Percentage of new approved short-term investments and loan guarantees that are 3 years or less	Not applicable <sup>1</sup>	56%	30%	30%	30%	30%

<sup>1</sup> This was a new performance indicator for FY 2000-2001. It did not appear under Act 10 of 1999, and has no FY 1999-2000 performance standard.

2.(KEY) To maximize leverage such that 20% of all new approvals of loan guarantees are below the maximum guarantee percentage allowed by the rules.

Strategic Link: This operational objective supports LEDC Strategic Plan Goal 1, Strategy 1.2: *To improve portfolio management techniques and practices.*

Louisiana: Vision 2020 Link: Supports Goal 2, Objective 2.8: *To increase the availability of seed and venture capital invested in Louisiana.*

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable.

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K	Percentage of new approvals of loan guarantees that are below the maximum guarantee percentage	Not applicable <sup>1</sup>	35%	11%	11%	20% <sup>2</sup>	20%

<sup>1</sup> This was a new performance indicator for FY 2000-2001. It did not appear under Act 10 of 1999, and has no FY 1999-2000 performance standard.

<sup>2</sup> Previously 11% of the "average number of guaranteed projects" was the standard. However, 11% of the "average number of guaranteed projects per year (20) would only average 2.2 projects. This is not a useable number. Twenty percent (20%) would be 4 projects and well within reason to achieve.

3.(KEY) To maximize income on bank certificates of deposits by targeting the minimum rate of at least the federal reserve lending rate plus 1/4%.

Strategic Link: This operational objective supports LEDC Strategic Plan Goal, Objective 1, Strategy 1.2: *To improve portfolio management techniques and practices.*

Louisiana: Vision 2020 Link: Supports Goal 2, Objective 2.8: *To increase the availability of seed and venture capital invested in Louisiana.*

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable

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K	Percentage of certificates of deposit purchased that meet the minimum rate	Not applicable <sup>1</sup>	Not available <sup>1</sup>	100%	100%	100%	100%

<sup>1</sup> This was a new performance indicator for FY 2000-2001. It did not appear under Act 10 of 1999 ,and has no FY 1999-2000 performance standard. No performance data were tracked or reported for FY 1999-2000.

4. (KEY) To market LEDC financial assistance programs by presenting seminars to 25% of the total number of Louisiana banks annually.

Strategic Link: This operational objective supports the LEDC Strategic Plan Goal 2, Objective 1: *To increase the number of banks that participate in LEDC programs.*

Louisiana: Vision 2020 Link: Supports Goal 2, Objective 2.8: *To increase the availability of seed and venture capital invested in Louisiana.*

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable

L E V E L	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1999-2000	ACTUAL YEAREND PERFORMANCE FY 1999-2000	ACT 11 PERFORMANCE STANDARD FY 2000-2001	EXISTING PERFORMANCE STANDARD FY 2000-2001	AT CONTINUATION BUDGET LEVEL FY 2001-2002	AT RECOMMENDED BUDGET LEVEL FY 2001-2002
K	Percentage of total Louisiana banks where seminars are held by LEDC	Not applicable <sup>1</sup>	27%	25%	25%	25%	25%

<sup>1</sup> This was a new performance indicator for FY 2000-2001. It did not appear under Act 10 of 1999, and has no FY 1999-2000 performance standard.

5.(KEY) To achieve a balanced risk level so that the annual loan charge-off percentage level is less than 10%.

Strategic Link: This operational objective supports LEDC Strategic Plan Goal 3: *To help promote the growing economy of the state.*

Louisiana: Vision 2020 Link: Supports Goal 2, Objective 2.8: *To increase the availability of seed and venture capital invested in Louisiana.*

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable

Explanatory Note: A supplementary recommendation of \$2,650,000 in Statutory Dedications support is included in the Total Recommendation for this program. This Statutory Dedication represents \$2,650,000 in Louisiana Economic Development Funds. This item is contingent upon renewal of the .4% Vendor's Compensation Sales Tax (R.S. 47:306 and 47:318) that currently goes to the Department of Economic Development.

L E V E L	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1999-2000	ACTUAL YEAREND PERFORMANCE FY 1999-2000	ACT 11 PERFORMANCE STANDARD FY 2000-2001	EXISTING PERFORMANCE STANDARD FY 2000-2001	AT CONTINUATION BUDGET LEVEL FY 2001-2002	AT RECOMMENDED BUDGET LEVEL FY 2001-2002
K	Percentage of annual loan charge-off	Not applicable <sup>1</sup>	0.35%	8.8%	8.8%	8.8%	8.8%

<sup>1</sup> This was a new performance indicator for FY 2000-2001. It did not appear under Act 10 of 1999 and has no FY 1999-2000 performance standard.

## RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1999 - 2000	ACT 11 2000 - 2001	EXISTING 2000 - 2001	CONTINUATION 2001 - 2002	RECOMMENDED 2001 - 2002	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$0	\$0	\$0
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	137,469	0	0	0	0	0
Statutory Dedications	10,606,473	12,216,769	12,216,769	12,231,495	12,242,350	25,581
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
TOTAL MEANS OF FINANCING	<b>\$10,743,942</b>	<b>\$12,216,769</b>	<b>\$12,216,769</b>	<b>\$12,231,495</b>	<b>\$12,242,350</b>	<b>\$25,581</b>
EXPENDITURES & REQUEST:						
Salaries	\$368,638	\$398,718	\$398,718	\$410,624	\$402,412	\$3,694
Other Compensation	0	0	0	0	0	0
Related Benefits	65,020	77,042	77,042	78,762	78,762	1,720
Total Operating Expenses	96,202	87,796	87,796	86,542	84,998	(2,798)
Professional Services	0	0	0	0	0	0
Total Other Charges	10,203,632	11,653,213	11,653,213	11,655,567	11,676,178	22,965
Total Acq. & Major Repairs	10,450	0	0	0	0	0
TOTAL EXPENDITURES AND REQUEST	<b>\$10,743,942</b>	<b>\$12,216,769</b>	<b>\$12,216,769</b>	<b>\$12,231,495</b>	<b>\$12,242,350</b>	<b>\$25,581</b>
AUTHORIZED FULL-TIME EQUIVALENTS: Classified	8	8	8	8	8	0
Unclassified	1	1	1	1	1	0
TOTAL	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>0</b>

## SOURCE OF FUNDING

The Financial Assistance program is composed of the activity Capital Accessibility. The Capital Accessibility activity is funded from Self-generated Revenues and Statutory Dedications. The Self-generated Revenues were established by Act 70 of the 1998 Regular Session, which allows each certified Louisiana capital company to be assessed a fee for a study of the LA Capital Companies Tax Credit Program (CAPCO). The fee is based on a pro rata share of the cost of the study based upon their total certified capital as of December 31, 1998. The Statutory Dedication is from the Louisiana Economic Development Fund, which was established by Act 34 of 1991. (Per R.S.39: 32B. (8), see table below for a listing of expenditures out of each statutory dedicated fund.) Act 1186 of 1995 authorized 37% of the vendor compensation deduction to be dedicated to the Louisiana Economic Development Fund through June 30, 1996. Effective July 1, 1996, Act 32 of the First Special Session of 1996 redirected the deposit of vendor compensation collections into the Workforce Development and Training Fund. This fund was established by Act 483 of 1995 and is utilized for the Workforce Development and Training Activity now located in the Office of the Secretary. Act 50 of 1998 again



redirected the deposit of vendor compensation collections as follows: \$2,150,000 to the Marketing Fund ( in Office of the Secretary) \$6,500,000 to the Workforce Development and Training Fund (in Office of the Secretary) and any remaining funds are deposited to the Louisiana Economic Development Fund.

	ACTUAL	ACT 11	EXISTING	CONTINUATION	RECOMMENDED	RECOMMENDED
	1999 - 2000	2000 - 2001	2000 - 2001	2001 - 2002	2001 - 2002	OVER/(UNDER) EXISTING
Louisiana Economic Development Fund	\$10,606,473	\$12,216,769	\$12,216,769	\$12,231,495	\$12,242,350	\$25,581

## ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	\$12,216,769	9	ACT 11 FISCAL YEAR 2000-2001
			BA-7 TRANSACTIONS:
\$0	\$0	0	None
\$0	\$12,216,769	9	EXISTING OPERATING BUDGET – December 15, 2000
\$0	\$6,745	0	Annualization of FY 2000-2001Classified State Employees Merit Increase
\$0	\$6,881	0	Classified State Employees Merit Increases for FY 2001-2002
\$0	(\$2,798)	0	Risk Management Adjustment
\$0	\$42	0	UPS Fees
\$0	(\$8,212)	0	Attrition Adjustment
	(\$428)	0	Civil Service Fees
\$0	\$21,308	0	State Treasury Fees
\$0	\$2,043	0	Indirect Cost Adjustment for support services from the Office of the Secretary
\$0	\$12,242,350	9	TOTAL RECOMMENDED
\$0	(\$2,650,000)	0	LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS
\$0	\$9,592,350	9	BASE EXECUTIVE BUDGET FISCAL YEAR 2001-2002
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$2,650,000	0	A supplementary recommendation of \$2,650,000 in Statutory Dedications support is included in the Total Recommended for this program. It represents \$2,650,000 in Louisiana Economic Development Funds. This item is contingent upon renewal of the .4% Vendor's Compensation Sales Tax (R.S. 47:306 and 47:318) that currently goes to Economic Development.
\$0	\$2,650,000	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE
\$0	\$12,242,350	9	GRAND TOTAL RECOMMENDED

The total means of financing for this program is recommended at 100.2% of the existing operating budget. It represents 100.2% of the total request (\$12,216,769) for this program. The major change reflected in the analysis of recommendation is increased funding of \$21,308 for services provided by the State Treasury.

## PROFESSIONAL SERVICES

This program does not have funding for Professional Services for Fiscal Year 2001-2002.

## OTHER CHARGES

\$11,165,243	Financial Assistance Programs - La. Small Business Loan Program, Venture Capital Incentive Program, Business and Industrial Development Corporation (BIDCO), Micro-loan Program, Contract Loan Program, Miscellaneous Loan related charges
\$33,000	Independent CPA Audit Services as required by Legislation establishing the Louisiana Economic Development Fund
\$13,470	Special Marketing Activities - Financial Assistance Investment workshops, planning, training and other professional services as deemed necessary

**\$11,211,713 SUB-TOTAL OTHER CHARGES**

### Interagency Transfers:

\$141,850	Reimbursement to the Office of the Secretary for support services
\$928	Pro-rata share of cost of operations for the Department of Civil Service
\$300,000	Technical Assistance to Small & Emerging Business Development
\$21,308	Pro-rata share of cost of operations of the State Treasury
\$92	Pro-rata share of cost of operations of the Comprehensive Public Training Program
\$287	Pro-rata share of cost of operations of the Uniform Payroll System

**\$464,465 SUB-TOTAL INTERAGENCY TRANSFERS**

**\$11,676,178 TOTAL OTHER CHARGES**

## ACQUISITIONS AND MAJOR REPAIRS

This program does not have funding for Acquisitions and Major Repairs for Fiscal Year 2001-2002.